

Memorandum

To: Panel Members Date: September 27, 2002

From: Ron Tagami, Manager
Peter DeMauro, General Counsel Analyst: S. Lipkin

Subject: One-Step Agreement for **Southwest Administrators, Inc. (SET)**
(www.swadmin.com)

CONTRACTOR:

- Training Project Profile: SET- Workers Earning at Least State Average Hourly Wage
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Services
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 315
 - In California: 283
- Fringe Benefits: Yes
- Union Representation: Yes
- Name and Local Number of Union representing workers to be Trained: Teamsters Local 986, Miscellaneous Warehousemen Drivers and Helpers

CONTRACT:

- Program Costs: \$52,000
- Substantial Contribution: \$0
- Total ETP Funding: \$52,000
- In-Kind Contribution: \$268,993
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles
- Duration of Agreement: 24 months

SUBCONTRACTORS:

New Horizons, Culver City, California

\$2,200 (training)

THIRD PARTY SERVICES:

California Manufacturers & Technology Association assisted in the development of this application at no cost to the Contractor.

NARRATIVE:

This project was brought to the Panel's attention through the marketing efforts of the California Manufacturers & Technology Association.

This project will be funded under the Special Employment Training (SET) funds outlined in Title 22, California Code of Regulations, Section 4409(a) and UI Code Section 10214.5(a) (1) for retraining frontline workers in occupations which pay 95% of the state average hourly wage in businesses difficult to serve under the Panel's standard project format.

Southwest Administrators, Inc. (Southwest) is a privately held corporation that, as a third-party administrator, handles all paperwork and day-to-day operations for large multi-employer benefit program trust funds governed by the Taft-Hartley Act.

Pursuant to collective bargaining agreements, employers are often obligated to pay health, welfare, and pension contributions to specific trust funds on behalf of their employees. The resulting funds are independent entities, made up of an equal number of employer and union representatives who are the trustees and who have sole authority to govern the trust, including setting rules, establishing benefits, deciding appeals and setting contribution requirements. The funds hire third-party administrators (like Southwest) to perform administrative operations such as billing the employers, evaluating employee eligibility, and processing benefit payments according to the rules set by each individual trust fund. As an administrator, Southwest does not make any policy decisions on the trusts.

The company was founded in 1950 when companies in the food industry first agreed to contribute money to employee medical benefit funds. The president of Teamsters Joint Council No. 42, Jack Annand, recognized that a neutral company (neither the employer or the union) would have to be established to administer these funds. Under the leadership of Charles Cross, who is a former Joint Council 42 employee, Southwest Administrators, Inc. was founded.

The company has grown from a small, one office company to a large operation employing 315 workers in four offices. They are headquartered in Alhambra, California and currently handle all administrative tasks for 18 employee trust funds, covering a total of over 190,000 employee participants. During the last year, the company has invested over \$460,000 in new technology and equipment, which includes P.C.'s, software, mainframe hardware, and construction of a training classroom.

Southwest must improve the delivery of service and foster business productivity to gain a competitive edge in the marketplace and ultimately become a high performance workplace. To this end the company must train clerks, service representatives, and adjustors in Continuous Improvement, Business Skills, and Computer Skills.

NARRATIVE: (continued)

Continuous Improvement skills training will promote teams to improve processes. Workers will be able to implement Strategies to Restore Image, Vision, and Efficiency (STRIVE) which is the company's new Total Quality effort. Workers will be able to identify, initiate and routinely apply process improvements. In addition, they will be able to coach and help other team members to apply improvement tools. Workers will be able to use the methods and systems designed to improve quality and processes.

Business Skills training will enable workers to increase customer satisfaction by learning how to identify customer's needs and resolving customer's complaints. Workers will have the tools needed to be able to provide consistent quality service.

Computer Skills training will enable workers to be able to adapt to changing computer technology and be able to input and retrieve information in a more efficient manner.

This training will not only allow workers to improve their skills, but also allow the company to remain competitive and become a high performance workplace.

The Teamsters Local 986, Miscellaneous Warehousemen Drivers and Helpers support this proposal.

Supplemental Nature of Training

There has been no formal, structured training ever implemented until now. The company's implementation of STRIVE is, in fact, their new Total Quality effort. The only training that has taken place to date is Continuous Improvement training which was done in the form of job-shadowing. Most of this training was delivered in an informal way (on-the-job) with a minimum of hours. Without ETP funding, the company would be unable to dedicate the resources necessary for this systematic training program, and therefore would have to train on a smaller scale to a fewer number of workers.

Following the ETP-funded training, Southwest will continue to provide Continuous Improvement, Business Skills, and Computer Skills, projecting the annual training expenditure to be approximately \$150,000 per year.

In-Kind Contribution

Southwest will make an employer contribution of \$268,993. This includes wages and employer-paid benefits to trainees while in training to total \$93,300, as well as an additional expense of \$175,693 to train workers who do not meet ETP requirements (workers who do not meet the ETP minimum wage but must be trained and managers who are not frontline workers but who must be trained).

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement if funds are available and the project meets Panel priorities based on Southwest Administrators, Inc.'s stated need to provide employees with skills to enhance its ability to remain competitive, to grow, and to maintain a continuing relationship with its customers. The implementation of this proposed training will enable the company to remain viable in the California economy.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job Number 1 Retraitees	Continuous Improvement Business Skills Computer Skills	100	40	0	0	\$520	*\$20.27- \$22.05
						<u>Range of Hourly Wages</u> *\$20.27-\$22.05	
						<u>Prevalent Hourly Wage</u> \$20.28	
						<u>Average Cost per Trainee</u> \$520	
<u>Health Benefit used to meet ETP minimum wage:</u> Health benefits of at least \$4.65 per hour (medical, dental, vision and prescription) may be added to trainee wages to meet the ETP minimum hourly rate of \$20.27 per hour.						<u>Turnover Rate</u> 12%	<u>% of Mgrs & Supervisors to be trained:</u> N/A

Trainees will be provided any of the following:

Continuous Improvement

Teambuilding

Quality Concepts

Quality Improvement Techniques

Measurement Tools

Process Improvement

Strategies to Restore Image, Vision, and Efficiency (STRIVE)

Business Skills

Customer Service

Customer Relations

Identifying Customer Needs

Telephone Skills

Handling Customer Requests

Resolving Customer Complaints

Listening Skills

Computer Skills

Microsoft Word

Microsoft Excel

Microsoft Access

Microsoft PowerPoint

Microsoft Outlook